

The Most Important Thing You Know Little About – The CAF II Auction and the Future of Broadband Subsidy

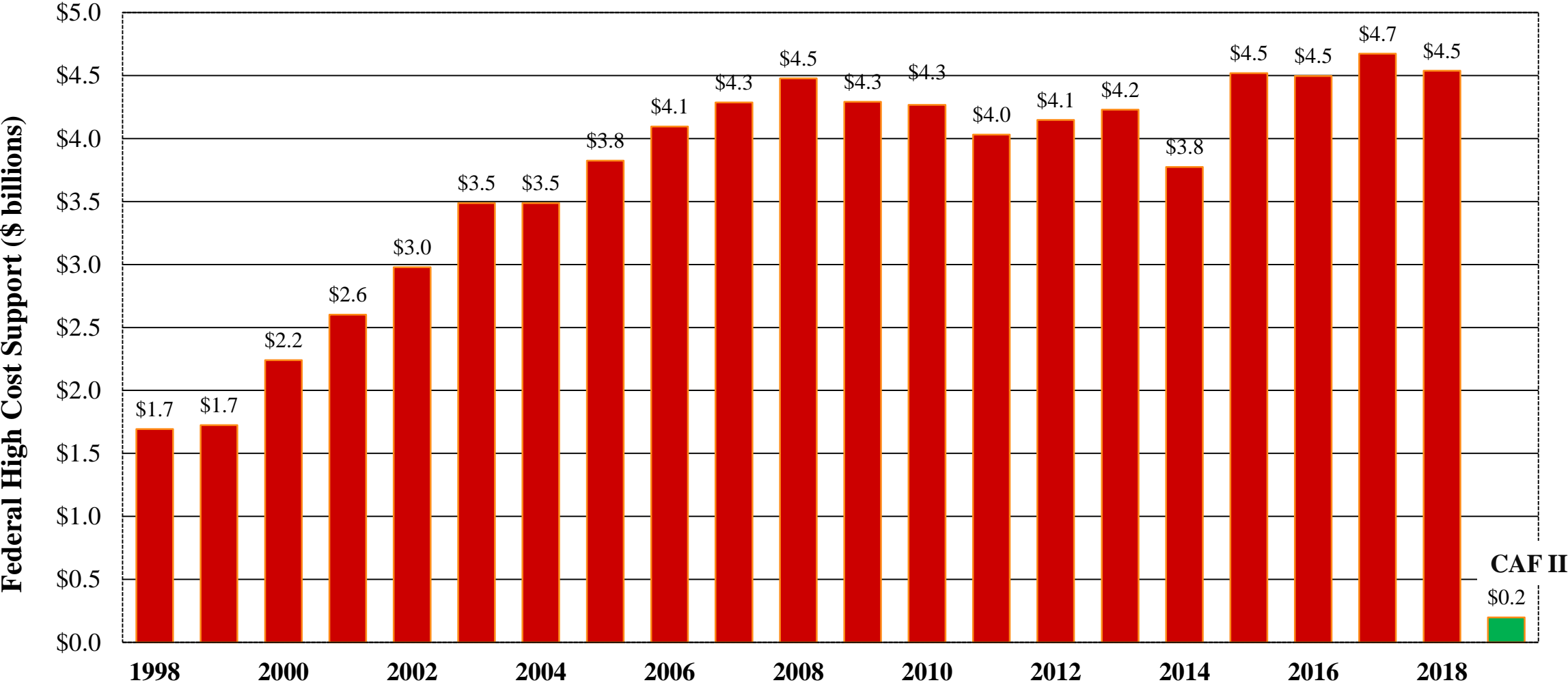
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National Conference of Regulatory Attorneys

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CAF II Auction in Context



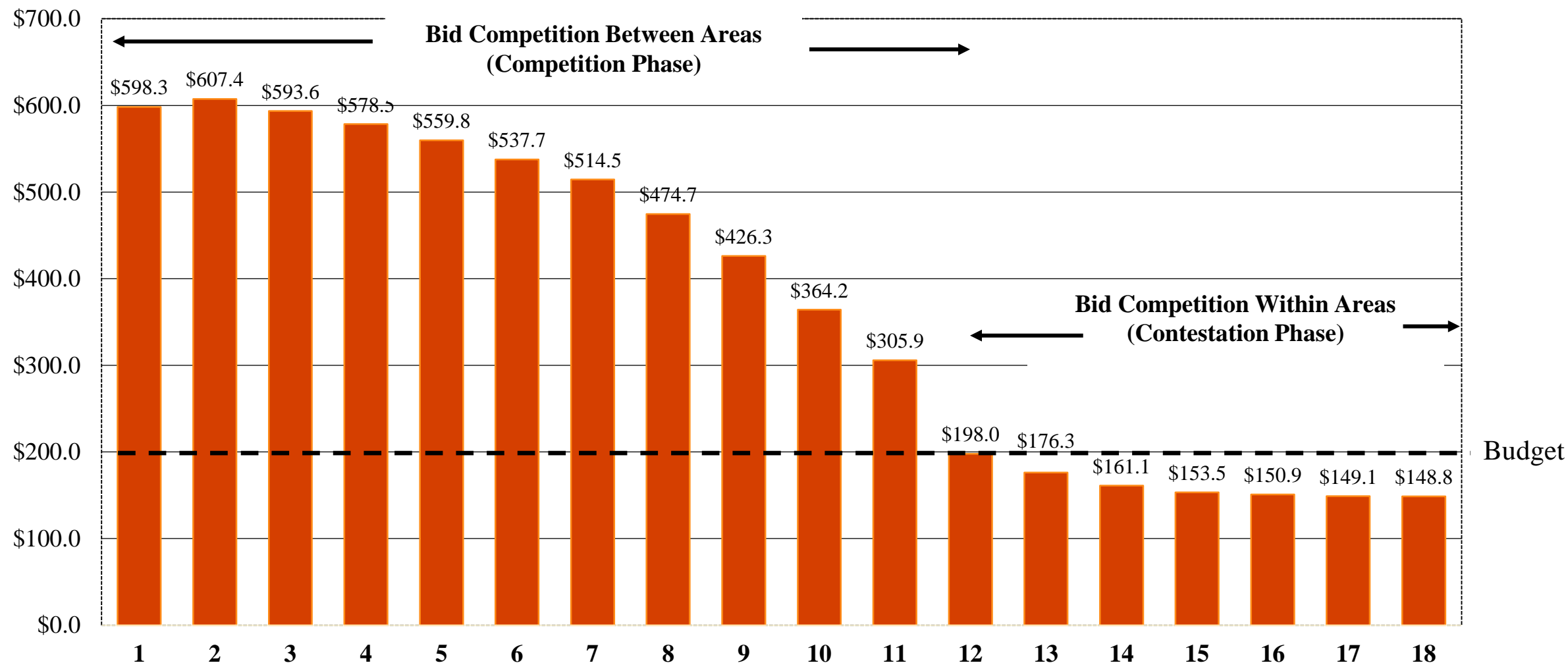
Bid Components for CAF II

$$\text{Score} = \frac{\text{Bid}}{\text{Reserve Price}} \times 100 + \text{Tier} + \text{Latency}$$

Performance Tier	Speed	Usage Allowance	Weight
Minimum	$\geq 10/1$ Mbps	≥ 150 GB	65
Baseline	$\geq 25/3$ Mbps	≥ 150 GB or U.S. median, whichever is higher	45
Above Baseline	$\geq 100/20$ Mbps	2 TB	15
Gigabit	≥ 1 Gbps/500 Mbps	2 TB	0

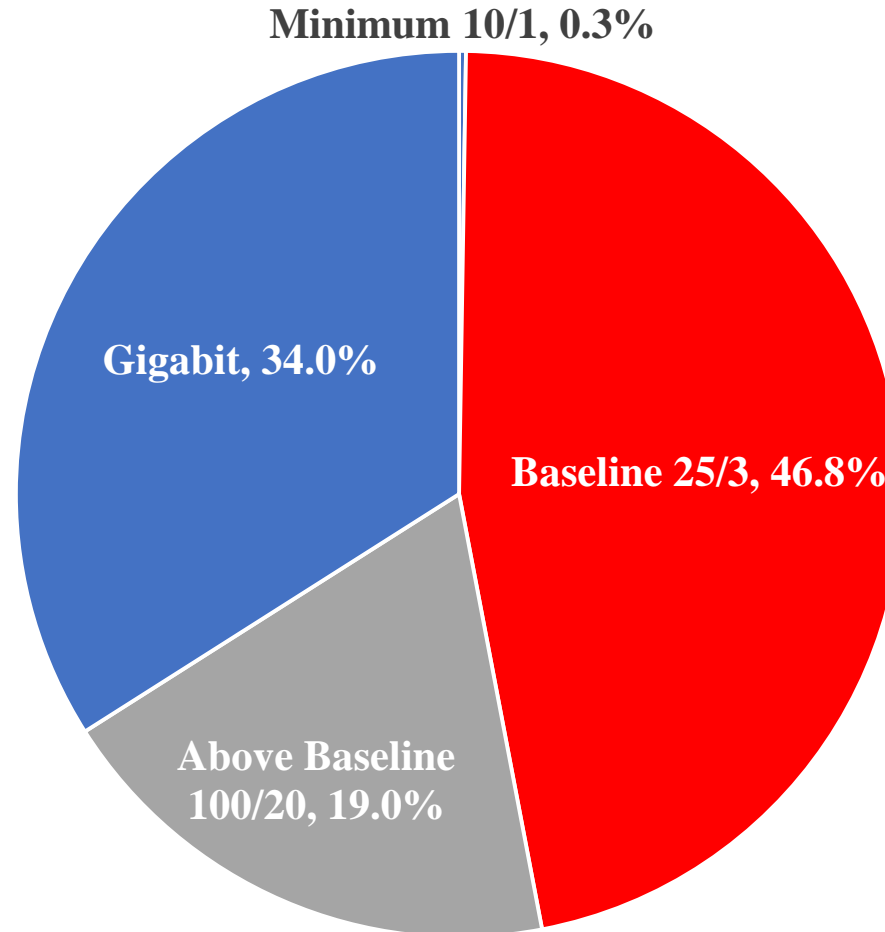
Latency	Requirement	Weight
Low Latency	≤ 100 ms	0
High Latency	≤ 750 ms & MOS of ≥ 4	25

Bid Annual Support by Round (\$ millions)

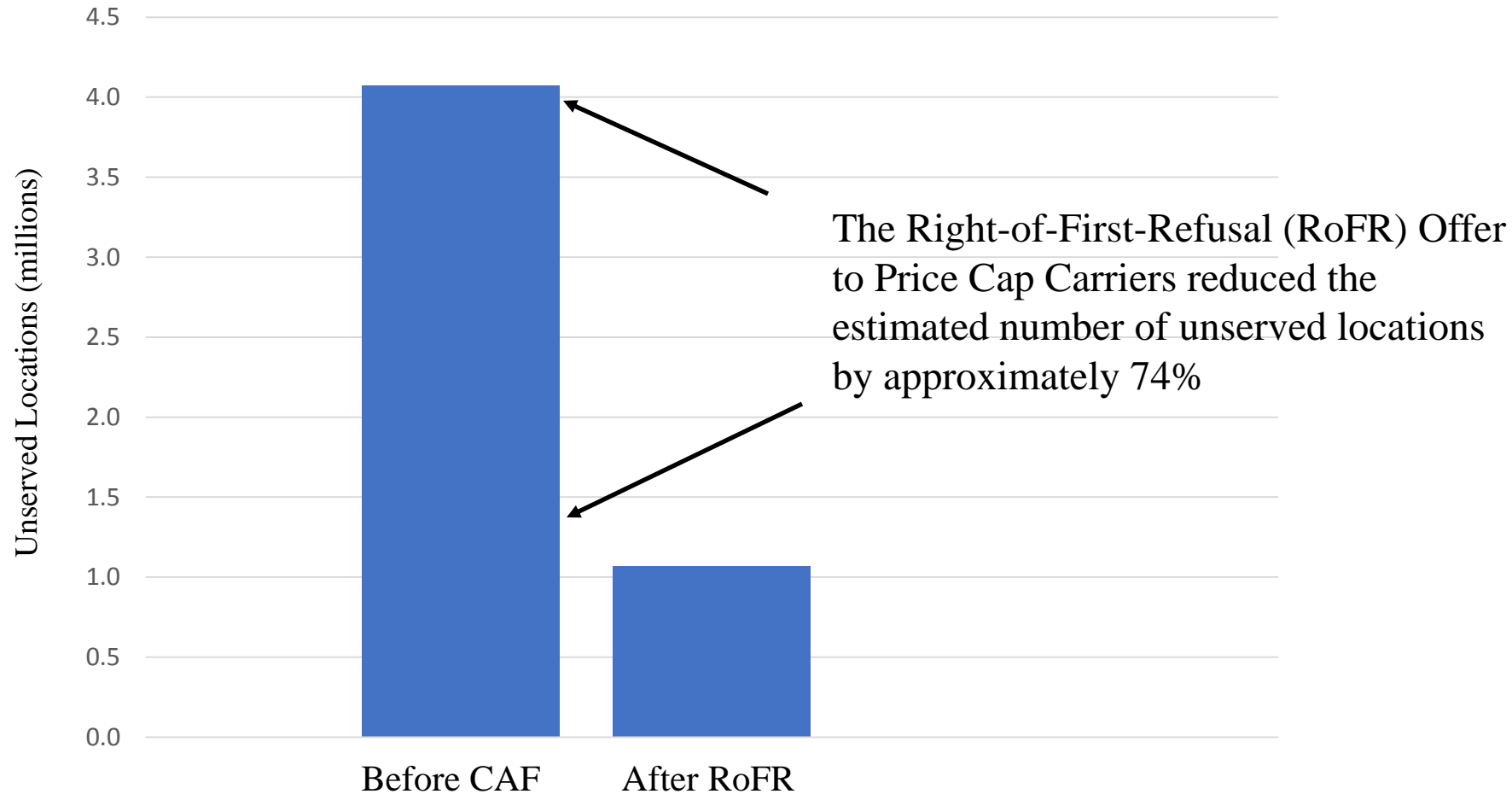


CAF II Auction Winners by Provider Type				
Provider Type	Annual Support (\$ Millions)		Locations	
Satellite	\$12.2	8%	190,595	27%
Cable	\$4.1	3%	10,165	1%
Electric utility/affiliates	\$26.5	18%	91,852	13%
Fixed Wireless	\$71.8	48%	263,752	37%
Other Wireless	\$9.8	7%	47,870	7%
Rural LECs/Affiliates	\$15.2	10%	59,910	8%
Price Cap ILEC	\$1.1	1%	3,726	1%
Other	\$8.2	5%	45,306	6%
	\$148.8		713,176	

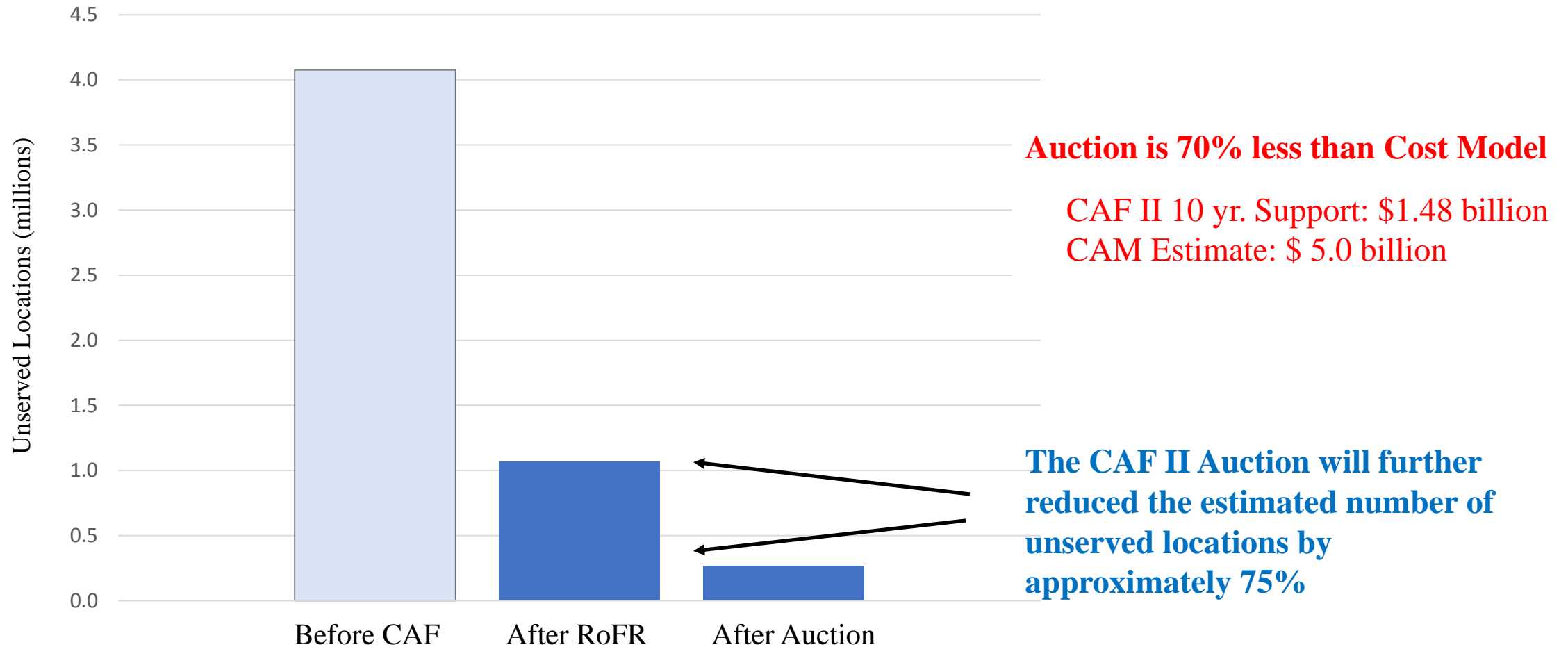
The Auction Produced Faster Speeds than CAF II ROFR Obligation (10/1)



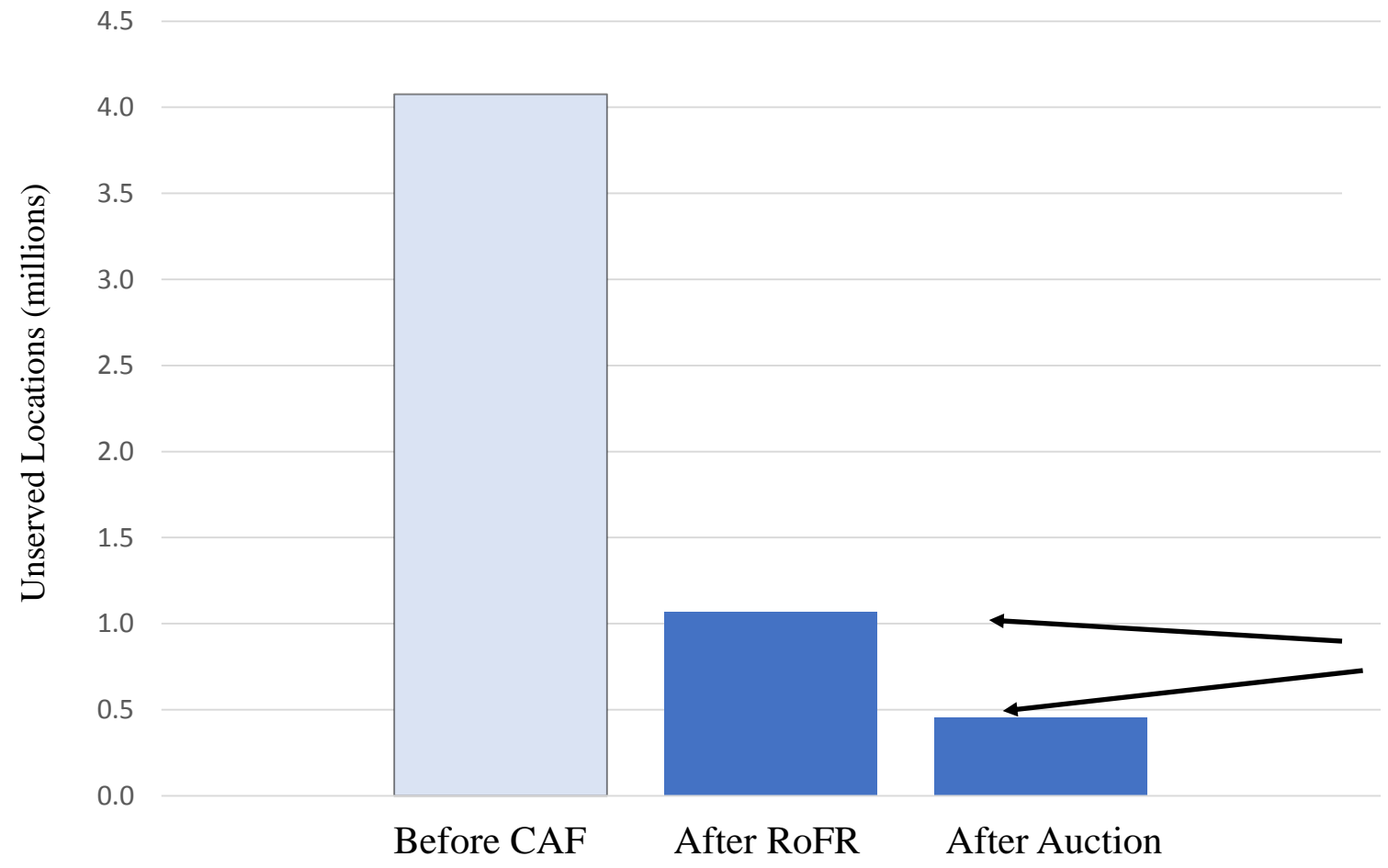
CAF Program in Price Cap Areas



Two Key Metrics of CAF II – Coverage and Cost

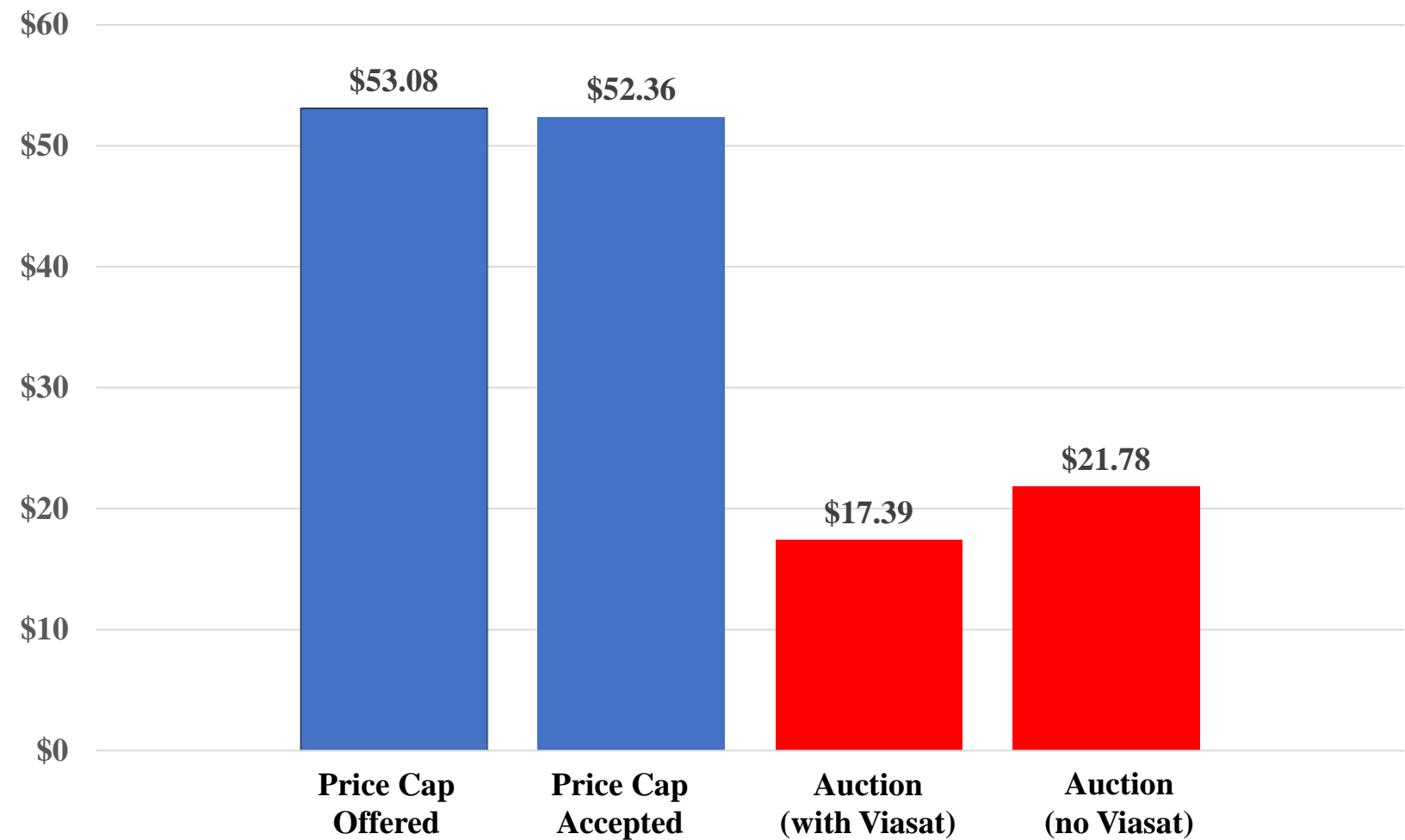


Effect of Losing ViaSat on Coverage



The CAF II Auction would reduced the estimated number of unserved locations by approximately 50% without ViaSat.

Monthly Subsidy Per Location



The States with the Largest Benefit

(Unserved Locations in Price Cap territory)

	Locations in Auction	Locations Awarded		Without Viasat
Utah	3,820	3,817	100%	22%
Montana	6,621	6,598	100%	19%
Iowa	16,985	16,759	99%	
Nebraska	9,053	8,900	98%	
Idaho	11,192	10,921	98%	65%
Kansas	14,424	13,817	96%	
Hawaii	4,115	3,936	96%	
New Mexico	13,171	12,452	95%	70%
Oklahoma	74,980	70,727	94%	
Missouri	104,865	95,130	91%	
Illinois	35,582	32,124	90%	
Washington	18,475	16,644	90%	31%



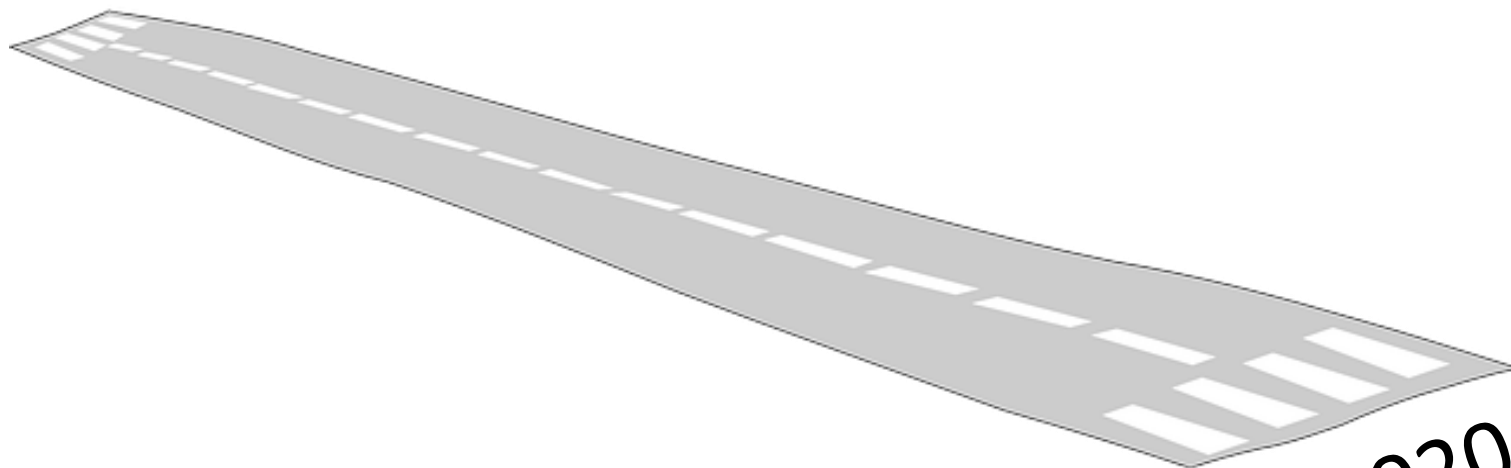
**\$ 1.5 Billion (Former) Price Cap ILEC
Right-of-First-Refusal Ending**



\$ 50 million CAF II Left Over



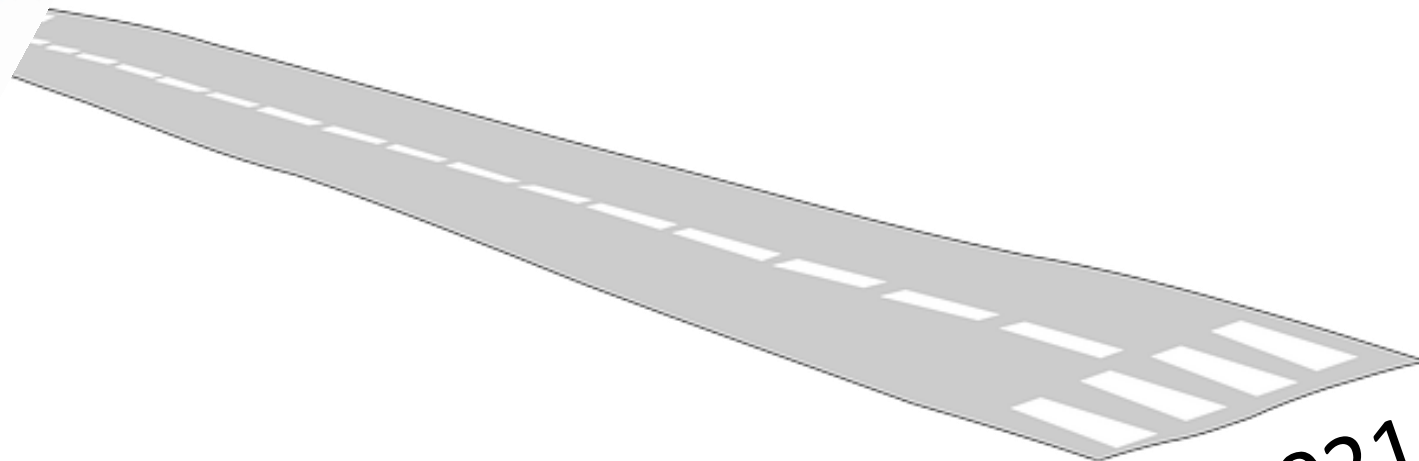
\$ 100 Remote Area Fund



2020

Rural Digital Opportunity Fund

\$2.04 Billion/Yr for 10 Years



2021

CAF II Conclusions

- Auction produced faster broadband at far less cost than the CAF II Cost Model claimed was necessary.
- Caveat: The best-laid plans of mice and men (and CAF II Awardees) often go awry.
- There are questions as to whether satellite can meet the FCC Performance Order requirements as to MOS_C .
- Next round will test OpEx (broadband retention) vs CapEx (broadband expansion).